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> Remarks from Sarah Paquet, Director and Chief Executive Officer, at the Canadian Instit...

# Remarks from Sarah Paquet, Director and Chief Executive Officer, at the Canadian Institute 21st Annual Canadian Forum on Anti-Money Laundering and Financial Crime

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From the [Financial Transactions and Reports Analysis Centre](#)

Speech

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Check Against Delivery

## Introduction

Good morning. I'd like to thank the Canadian Institute for the opportunity to speak with you this morning.

Before I begin, I want to acknowledge that I am speaking to you from the traditional territory of many nations, including the Mississaugas of the Credit, the Anishnabeg, the Chippewa, the Haudenosaunee and the Wendat peoples, and what is now home to many diverse First Nations,

Inuit and Métis peoples.

As we open the Canadian Institute's 21<sup>st</sup> annual forum, there has never been a greater focus in Canada on the destructive impact that money laundering and financial crime have on Canadians, on our institutions and on our country.

Nor has there been a better time for such a knowledgeable group of leaders and practitioners – from across the public and private sectors – to come together to discuss these ever-evolving threats and find collaborative solutions to address them.

I want to take a moment this morning to touch on some of the impressive results that we are achieving collectively for Canadians. As we work to keep up with the growing sophistication of criminals and terrorists, it's important to reflect on the contributions that we are making, together, to protect Canadians and Canada's economy.

I also want to share with you some of our priorities going forward, including our commitment to modernizing our systems, our processes and our approaches so that we can better support the anti-money laundering and anti-terrorist financing efforts of Canadian businesses across the country, and more effectively contribute to the investigations of Canada's law enforcement and national security agencies.

The key to our success – and our major focus going forward – will be in

strengthening and expanding our partnerships with everyone who has a stake in combatting money laundering and terrorist activity financing.

It takes a network – a strong, equipped and committed network – to defeat a modern criminal and terrorist network. I'm pleased to see such a network gathered here today!

## Collective Results for Canadians

This past April, the Ottawa Police Service charged four men with human trafficking and other related offences. Project Exodus centred on four female victims, three of whom were under the age of 18 when the alleged offences occurred. Police took the extra step of publishing the photos of the men who were charged because they believe there are other victims – possibly many other victims – who have not yet come forward.

Some of the charges resulting from Project Exodus included:

- Assault, Sexual Assault, and Uttering Threats;
- Financial, Material Benefit, in relation to Trafficking a Person Under 18; and
- Counselling Sexual Exploitation of a Young Person.

These alleged crimes took place in Ottawa – our nation's capital – and had links to other jurisdictions. Through our work on Project Protect, a public private partnership aimed at combatting human trafficking in the sex trade, we know these heinous crimes are taking place across the

country.

In this particular case, and dozens like them every year, FINTRAC's contribution was recognized by the Ottawa Police Service – as was the contribution of Peel Regional Police, the Provincial Repeat Offender Parole Enforcement Squad, the Criminal Intelligence Service of Ontario, and the Ontario Provincial Police Anti-Human Trafficking Unit. A network assembled to defeat a network.

Of course, this network also included the many businesses and professionals who work to fulfill the requirements established by the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, particularly in providing FINTRAC with the information that we need to generate actionable financial intelligence for Canada's law enforcement and national security agencies.

With the help of Canadian businesses over the past year, we were able to provide 2,292 financial intelligence disclosures in support of money laundering and terrorist financing investigations across Canada and around the world. This is the second highest number of disclosures that we've produced in a single year since the Centre was created.

We know this financial intelligence is critical to law enforcement and national security investigations here in Canada and internationally. Many of the recipients of our disclosures have told us that they will not start a major project-level investigation without seeking out our financial intelligence. And 97% of the feedback that we received last year indicated

that our financial intelligence was both valuable and actionable.

Our financial intelligence contributed to 335 major, resource intensive investigations in 2021–22, and **many** hundreds of other individual investigations at the municipal, provincial and federal levels across the country.

The results that we have been able to achieve would not have been possible without the dedicated efforts of businesses across the country. I want to recognize and thank them for their commitment to protecting Canadians and Canada's economy.

## Addressing a Challenging Environment

While there's no question that our AML/ATF network is delivering real results for Canadians, it's clear that we continue to face a very challenging environment. This is **not** unique to Canada.

- The global banking system and transnational nature of money flows have become increasingly complex and sophisticated;
- Fintech companies and digital giants are offering online financial services that are connected to multiple channels, bringing together open banking and commerce;
- Technology has brought new and evolving challenges such as anonymity, speed and much larger volumes of transactions; and
- Criminal organizations, hostile state actors and terrorist groups have become more adept at using the financial systems and new

technologies to achieve their goals.

As these and other challenges evolve, the Government of Canada continues to take meaningful action to strengthen Canada's AML/ATF Regime and position it for the future.

As many of you know, the federal government has brought in significant legislative changes in recent years to address many of these new and evolving threats, including expanding coverage to dealers in virtual currencies and foreign money services businesses, extending obligations related to beneficial ownership and politically exposed persons to all business sectors, and requiring businesses subject to our Act to report large virtual currency transactions to the Centre.

The changes to strengthen Canada's AML/ATF Regime have also paid off internationally as Canada obtained several important upgrades on its latest FATF Follow-up Report and was moved from enhanced to regular follow-up.

The federal government has also made substantial new investments to strengthen Canada's AML/ATF Regime, providing nearly \$320 million and close to \$50 million ongoing since 2019.

In the most recent federal budget, FINTRAC was provided nearly \$90 million over five years and \$9 million ongoing, which represents a 24% funding increase and a 13% increase in staff. With this additional funding,

we're focused on:

- Implementing new regulations that add businesses offering crowdfunding platforms and certain payment service providers as regulated entities under the Act;
- Advancing our work in modernizing our Compliance program;
- Supporting our ongoing supervision of Federally Regulated Financial Institutions;
- Upgrading our Intelligence sector's analytics suite; and
- Enhancing our capacity to support the Government of Canada's knowledge of, and approach to, virtual currency.

To help prevent financial crimes in the real estate sector, the federal government announced its intention to extend anti-money laundering and anti-terrorist financing requirements to all businesses conducting mortgage lending in Canada within the next year.

The federal government also announced that it is developing changes to strengthen the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, the Criminal Code, and other legislation to enhance Canada's ability to detect, deter, investigate and prosecute financial crimes.

In addition, the federal government committed to conducting a comprehensive review of Canada's AML/ATF Regime, and bringing forward additional legislative proposals to ensure that Canada has the tools needed to preserve its financial integrity and economic security.

# Priorities Going Forward

As these initiatives take shape, we're not standing still. We've followed closely the important work undertaken by the Cullen Commission, which has significantly increased awareness and understanding of the money laundering threats facing Canada. We look forward to the Commission's findings and recommendations, which will help guide the federal government's broader review, and further improve Canada's AML/ATF Regime.

We've already started to address issues raised during the Commission's work, including the need to do more from an information sharing perspective. Over the past couple of years, we've published extensive strategic financial intelligence, including on casino-related underground banking; COVID-19 related money laundering and fraud; money laundering and terrorist financing related to virtual currency transactions; the financing of ideologically motivated violent extremism; and Russian-linked money laundering related to sanctions evasion.

Just last month, we published a Sectoral and Geographic Advisory on Underground Banking through Unregistered Money Services Businesses. This new strategic product describes key attributes of underground banking in Canada. It's meant to help businesses and Canadians better protect themselves against illicit activities associated with underground banking, and to facilitate the reporting of suspicions of money laundering or terrorist activity financing to FINTRAC.

We also launched a comprehensive National Real Estate AML/ATF Virtual Forum this past spring to help those engaged in this sector to better understand the money laundering and terrorist financing threats they're facing and how to work with us to address them.

Our commitment to better informing and supporting the AML/ATF efforts of Canadian businesses is at the heart of the modernization of our Compliance program.

As part of the changes made by the federal government in 2021 to strengthen Canada's legislative framework to better protect Canadians and the financial system from money laundering and terrorist financing, it introduced a cost-recovery model for FINTRAC's compliance activities.

As we prepare for the implementation of this framework, we have launched a modernization initiative of our compliance program. We want to ensure that, as we move into the future, our compliance activities provide meaningful value to businesses in the form of support, services, products and tools that make it easier to identify and mitigate money laundering and terrorist financing exposure, and meet legislative requirements.

To ensure that we're on the right track and have a good understanding of the needs of each regulated sector, we've begun engaging with businesses, associations and relevant stakeholders. We want to hear from regulated entities on the challenges they face, and seek their views on how we can improve the reach, accessibility, responsiveness and

impact of our compliance efforts.

Our roadmap over the coming months will include extensive engagement and research across business sectors to identify and prioritize these opportunities and co-design the path forward.

Underpinning our modernization efforts is our comprehensive Digital Strategy, which aims to transform FINTRAC into a leading digital organization. Data is the lifeblood of our organization. Everything we do depends on the information that we receive – and our ability to analyze it and use it as part of our compliance and intelligence operations.

Investing in our data and technological capabilities, modernizing our systems, and moving to the cloud, are critical to our future success as a modern financial intelligence unit and regulator. This will enable the scaling of our operations and the sharing of information with our partners across responsibilities and jurisdictions.

Our Digital Strategy also supports our central focus on strengthening and expanding our partnerships with everyone who has a stake in combatting money laundering and terrorist financing.

The best example of the extensive collaboration that takes place within Canada's AML/ATF Regime – and something that we should look to build on – is our successful public-private partnerships.

Aimed at more effectively combatting online child sexual exploitation, money laundering in British Columbia, the trafficking of illicit fentanyl, romance fraud and human trafficking in the sex trade, these innovative partnerships are led by Canada's banks.

And they have been extremely effective in following the money to identify potential subjects, uncovering broader financial connections and providing actionable financial intelligence to advance law enforcement investigations.

Since the launch of Project Protect, which I mentioned earlier, we have seen a 750% increase in suspicious transaction reporting related to this heinous crime. And with this reporting from Canadian businesses, we have been able to generate nearly 1,500 disclosures of actionable financial intelligence to support the investigations of police and law enforcement agencies across the country and internationally.

In one year alone, police in Toronto uncovered 67 victims, 60% of whom were 16 and under. The youngest victim was 13 years old. The financial intelligence that we were able to provide, based on suspicious transaction reporting from Canada's banks, played a key role in rescuing many of these victims.

In order to build upon these innovative partnerships, we've created a Public-Private Collaboration Steering Committee, which FINTRAC co-chairs with Scotiabank, and which comprises an executive committee that includes representatives from RBC and HSBC.

This committee consists of members from across Canada's AML/ATF Regime and Canadian businesses and was created to provide a coordination of efforts to improve our effectiveness within existing legislative authorities. It also serves as a forum to explore further opportunities for innovative collaboration and experimentation.

This is just one example of the many ways in which we are working to strengthen and expand our partnerships to combat the money laundering and terrorism financing threats that we face today and will face in the future.

## Conclusion

One of Canada's greatest hockey players and recognized leaders, Mark Messier, recently published his memoir, which is titled No One Wins Alone. This is as true in combatting money laundering and terrorist financing as it is in winning Stanley Cups.

Now more than ever, we need to work together to ensure that Canada's AML/ATF regime is strong and effective – and that our collective networks are able to defeat increasingly determined and sophisticated criminals and terrorists.

Thank you for your commitment to protecting Canadians and Canada's economy.

I wish you a productive conference and I'm happy to take some questions.

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